

TO: Commissioners of the Oahu Real Property Tax Advisory Commission

FROM: Natalie Iwasa, CPA, CFE
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MEETING: 10:30 a.m. Thursday, January 4, 2018

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OFFICE OF THE
COMMISSIONER
OF REALTY

Aloha Chair Oshiro and Commissioners,

Thank you for requesting an extension on the deadline to provide your report to the Honolulu City Council. Thank you also for your service on the Commission. Following are my comments on the draft report and minutes of the November 9, 2018, meeting of the Commission.

Draft Report of the 2017 Oahu Real Property Tax Advisory Commission

I support equity in tax systems and therefore appreciate and support the recommended revisions included in items 1 and 2 in **Section II, Recommendations of the Subcommittee on Classifications**.

Even though not included in the recommendations, I continue to also support increasing the \$1 million threshold that defines Residential A properties.

Section III of the report includes a discussion of exemptions, which allow certain property owners to pay reduced or minimum taxes. One of the criteria the Commission considered is whether the exemption creates an unbalanced playing field for certain property owners. Credit unions compete directly with banks yet are provided an exemption from real property taxes. Their exemption should therefore be removed.

In addition, various nonprofits are provided exemptions under ROH Sec. 8-10.10 for "charitable purposes," even though many of these organizations are not recognized as charitable organizations by the Internal Revenue Service or the state of Hawaii. The ordinance should therefore include a definition of "charitable" and nonprofits that do not fit that definition should have their exemptions removed.

Section IV of the report discusses tax-related bills before the Council. Bill 60 would re-establish the in-lieu of home exemption. The 2011 Commission recommended the repeal of this particular exemption, because low-income property owners, to whom the exemption applies, may apply for the tax credit instead. Because the exemption and credit applied to low-income homeowners, some owners were confused between the two. Many of these owners applied for both, and the system was duplicative and inefficient. **For these reasons, please consider opposing the re-establishment of this exemption.**

Minutes from November 9, 2017

Please add Ropati Soosenuu, Frank Young and me to the list of attendees.

Misc. Com. No. 3